

Phone 317 276 2000

September 26, 2005

The President's Advisory Panel on Federal Tax Reform  
1440 New York Avenue, NW  
Suite 2100  
Washington, DC 20220

Dear Chairman Connie Mack and Vice-Chairman John Breaux:

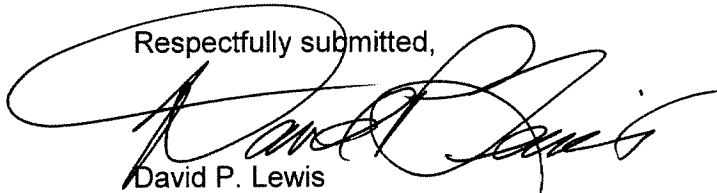
Eli Lilly and Company welcomes the opportunity to submit the attached paper regarding the concept of a "territorial tax system" to the President's Advisory Panel on Federal Tax Reform. We understand that the Advisory Panel is seriously considering a territorial tax reform recommendation as part of its final report. Therefore, our intention with this submission is to provide the fundamentals of a territorial tax system that, we believe, represents sound tax policy and a viable option within the business community. In that pursuit, this paper puts forth a substantive alternative to other territorial or dividend exemption proposals, such as that recently released by the Joint Committee on Taxation. Our proposal advances a territorial tax system that:

- attempts to achieve improved competitiveness of U.S. multinational corporations in the global marketplace,
- reduces complexity in the current U.S. tax code related to the taxation of foreign income, and
- eliminates provisions that would create serious adverse impacts on U.S. research and innovation intensive companies.

We hope the ideas set forth in this paper will be helpful to the Advisory Panel as it considers a "territorial" or "dividends exemption" system for the taxation of foreign income earned by U.S. multinational companies.

Please feel free to contact me if you have further questions or comments regarding this submission. I can be reached at (317) 276-5310.

Respectfully submitted,



David P. Lewis  
Executive Director, Global Taxes  
and Chief Tax Executive

/sda

Attachment